

## Message Text

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PAGE 01 STOCKH 02198 261524 Z

47

ACTION TRSE-00

INFO OCT-01 EUR-25 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EA-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00 RSC-01

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SS-15 NSC-10

RSR-01 /154 W

----- 054115

R 261435 Z JUN 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 302

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE STOCKHOLM 2198

E. O.11652: N/ A

TAGS: EFIN OECD SW

SUBJECT: OECD EXAMINATION OF FOREIGN INVESTMENT PRACTICES

REF: -. STATE 118847

B. STOCKHOLM 173 AND PREVIOUS

C. STOCKHOLM A-150, APRI 13, 1973

D. STOCKHOLM A-287, JULY 15, 1972

1. REF B AND EARLIER STOCKHOLM REPORTS DESCRIBE GOS POSITION ON SUBSIDIES AND INCENTIVES, INCLUDING REGIONAL INCENTIVE PROGRAM FOR LOCATION OF INDUSTRY IN DEPRESSED NORTHERN AREA OF SWEDEN. THE INVESTMENT CLIMATE IS DESCRIBED IN REF C. SWEDEN HAS NO TAX HOLIDAY AIDS. FEW SWEDISH OR FOREIGN FIRMS HAVE AS YET TAKEN ADVANTAGE OF REGIONAL INCENTIVE PROGRAM. LISTED BELOW ARE THE ONLY TWO US FIRMS KNOWN BY THE EMBASSY ( AFTER TALKING WITH LOCAL MANAGERS OF 7 LARGE US FIRMS DOING BUSINESS IN SWEDEN) TO HAVE BENEFITED FROM GOS SUBSIDIES:

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PAGE 02 STOCKH 02198 261524 Z

A. GREAT LAKES CARBON ( GLC). US FIRM BOUGHT HALF INTEREST IN EXISTING COMPANY IN NORTHERN SWEDEN, AND RECEIVED \$1.3 MILLION IN SUBSIDIES TO BEGIN PRODUCTION. GLC SUBSEQUENTLY OBTAINED \$4.2 MILLION LOAN AT LOW INTEREST RATE AS PART OF GOS DEPRESSED AREA PROGRAM. COMPANY TOLD EMBOFF, HOWEVER, THAT INCENTIVES DID NOT PLAY MAJOR PART IN DECISION TO LOCATE. FIRM'S JUDGMENT BASED ON OPPORTUNITY TO BUY INTO EXISTING FIRM AT FAVORABLE PRICE AND NEED FOR CHEAP AND ABUNDANT ELECTRICAL POWER TO PROCESS GRAPHITE, WHICH DICTATED LOCATION IN NORTHERN SWEDEN ANYWAYS.

B. COMBUSTION ENGINEERING ( CE). THIS US FIRM HOLDS 25 PER-CENT INTEREST IN UDDCOMB AB, WHICH IS 50 PER CENT OWNED BY STATSFORETAG AB, THE STATE- OWNED HOLDING COMPANY ( FOR BACKGROUND

SEE REF D). OTHER 25 PER CENT IS OWNED BY PRIVATE SWEDISH INTERESTS. TOTAL CAPITALIZATION OF UDDCOMB IS SKR 40 MILLION (\$9.3 MILLION AT CURRENT EXCHANGE RATE). WHILE CE TELLS US NO INCENTIVES HAVE BEEN INVOLVED, FACT REMAINS THAT UDDCOMB HAS FINANCIAL RESOURCES OF GOVERNMENT BEHIND IT, AND THIS OBVIOUSLY PLAYED IMPORTANT PART IN CE DECISION.

2. EMBASSY UNAWARE OF ANY CASES OF " ARM- TWISTING".

3. INFO IN PARA 1 B ABOVE - RE CE - IS IN PUBLIC DOMAIN. INFO

IN 1 A - RE GLC - IS NOT.

OLSEN

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NNNNMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptoning:** X  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
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**Draft Date:** 26 JUN 1973  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Disposition Reason:**  
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**Film Number:** n/a  
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**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 980225  
**Subject:** OECD EXAMINATION OF FOREIGN INVESTMENT PRACTICES  
**TAGS:** EFIN, SW, OECD  
**To:** COPENHAGEN  
EC BRUSSELS  
HELSINKI  
OECD PARIS  
OSLO  
SECSTATE WASHDC  
TRSE

**Type:** TE

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